

THE AGRICULTURAL SITUATION.

A BRIEF SUMMARY OF ECONOMIC CONDITIONS

ISSUED MONTHLY BY THE BUREAU OF AGRICULTURAL ECONOMICS,
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Ouba.*

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We introduce herewith a little innovation in our departmental publications. This sheet will hereafter take the place, and more or less continue the form of, the mimeographed blue sheet hitherto sent out under the head "Monthly Notes on Farm Management and Farm Economics."

The interest stimulated among economics men by the informal little "Monthly Notes" has led to the belief that a publication along similar lines but developed so as to cover still broader economic aspects, might be of still greater interest and service to farmers and men in this field.

The purpose back of this sheet is to present in very terse form, such few statistics and facts as will enable a busy man to get some idea of the economic situation in which agriculture finds itself relative to other great groups of producers. In other words, the idea is to indicate, in a brief, informal way, the economic trend in agriculture.

The reorganization of the three bureaus dealing mainly with economic investigations goes into effect as of this date. The Bureaus of Markets, Crop Estimates, and Farm Management are thus consolidated into the new Bureau of Agricultural Economics.

The new Bureau is organized into 18 Divisions which will carry on the established major lines of investigation. In addition other phases will be given attention, dealing with important public problems attendant upon the development of American agriculture.

DURING THE MONTH past farmers, taken the country over, have gone about early summer work in an optimistic frame of mind. This is not so trite as it sounds - optimism has been none too plentiful around fields and barns for two years.

The better feeling has been based almost entirely on one fact: better prices. Farmers have not actually had much wool or cotton or hogs or cattle to sell at the higher prices. But a tangible demonstration that bankruptcy prices for farm products are not inherent in the divine scheme of things is in itself cheering. It is only human to feel a little more satisfaction riding the long rows over 60 cent corn than over 30 cent corn - even though the corn be as yet only knee-high.

The improvement in prices has been a straight proposition of demand and supply. Woolen or cotton clothing will wear out. When old clothing is absolutely worn out there is bound to be somebody in the market for new. People eat every day, which brings most of them into the market for food every day. And there are enough hungry people in the world to gradually wear away even such mountains of grain and meat and vegetables as American farmers brought out of the soil last fall. That fact is now being demonstrated.

There is no doubt about potential demand. The census count of noses assures us of that. It remains only for men to have the money (that is to say, the exchange products) wherewith to satisfy their needs of new clothing and homes and a thousand-and-one things.

When we cast about for explanation of the rise in prices of farm products, it must probably be sought in the multiplicity of economic forces which are always at work to restore and maintain equilibrium. We have had something of an urban revival. The saved-up capital or credit of thousands of salaried men have gone into new homes, of business men into new plants and equipment, of the railroads into tremendous replacement and equipment programs, of municipalities into new public works. All this has put new money into the pockets of labor.

It is to be hoped there will be some new money in the pockets of farmers this fall. For, after all, it is the forty million rural population, with their need of all the products of urban labor, who really keep the economic ball rolling.

PRICE INDEXES FOR MONTH ENDING JUNE 1

1913 = 100

Farm products figures from Department of Agriculture; commodity groups from Bureau of Labor Statistics. Shows year ago, low point (December 1921), and latest available month:

Farm Products
(Prices at the farm)

	<u>May</u> <u>1921</u>	<u>Dec.</u> <u>1921</u>	<u>April</u> <u>1922</u>	<u>May</u> <u>1922</u>	<u>Month</u> <u>Change</u>
Cotton	76	130	128	151	- - Higher
Corn	100	72	100	104	- - Slightly higher
Wheat	141	118	154	149	- - Slightly lower
Hay	114	110	118	114	- - Slightly lower
Potatoes	104	173	162	162	
Beef cattle	101	78	94	97	- - Slightly higher
Hogs	102	89	118	121	- - Slightly higher
Eggs	105	265	109	110	
Butter	143	152	128	124	- - Slightly lower
Wool	96	101	148	173	- - Higher

Commodity Groups
(Wholesale Prices)

	<u>May</u> <u>1921</u>	<u>Dec.</u> <u>1921</u>	<u>April</u> <u>1922</u>	<u>May</u> <u>1922</u>
Farm products	118	113	129	132
Food, etc.	139	139	137	138
Cloths & clothing	173	185	171	175
Fuel & lighting	200	187	194	216
Metals & met. products	138	119	113	119
Bldg. materials	165	203	156	160
Chemicals, etc.	134	161	124	122
House-furnishing goods	209	218	175	176
<u>All commodities</u>	145	149	143	148

(Note: The Bureau of Labor Statistics has revised its April and May figures, regrouping and adding articles, and bringing their weights down to the basis of the 1919 census. The effect of this has been slightly higher index for farm products and fuel; lower for all other groups, - considerably lower for building materials, revised figures given here.

RELATIVE PURCHASING POWER

(At May 1922 Farm Prices)

1913 = 100

<u>In terms of:</u>	<u>Of a Unit of:</u>				
	<u>Cotton</u>	<u>Corn</u>	<u>Wheat</u>	<u>Hay</u>	<u>Potatoes</u>
All commodities	102	70	101	77	109
Cloths, etc.	86	59	85	65	93
Fuel, etc.	70	48	69	53	75
Metals, etc.	127	95	125	96	136
Bldg. materials	94	65	93	71	101
House-furnishing goods	86	59	85	65	92

	<u>Beef Cattle</u>	<u>Swine</u>	<u>Eggs</u>	<u>Butter</u>	<u>Wool</u>
All commodities	66	82	74	84	117
Cloths, etc.	55	69	63	71	99
Fuel, etc.	45	56	51	57	80
Metals, etc.	82	103	93	104	145
Bldg. materials	61	76	69	78	108
House-furnishing goods	55	69	63	70	98

THE TREND OF PURCHASING POWER during May indicated slow improvement, so far as the actual indexes of the leading products were concerned. We feel inclined to go slowly about making comparisons with previous months, however, for the price index of all commodities has been materially lowered by the Department of Labor revision, while farm products price index has been slightly raised. This tends to improve the purchasing power index for farm products this month by reason of the statistical change itself.

There is, no question, however, that the index of purchasing power of principal farm products is slowly improving. If this price relationship continues until fall, when farmers actually have something to sell, it will mean better times in the open country.

SIGNIFICANT MOVEMENT OF FARM PRODUCTS

Figures show corn, hogs, cattle receipts at primary markets; butter receipts at 5 markets; wheat (including flour) and cotton exports. All figures given to nearest thousand:

Month	CORN Receipts Th. Bu.	HOGS Receipts Thousands	CATTLE Receipts Thousands	BUTTER Receipts Th. lbs.	WHEAT Exports Th. Bu.	COTTON Exports Th. Bales
1921 May	21,319	3,328	1,542	60,208	31,624	477
1922 Jan.	52,097	4,278	1,628	41,697	14,985	475
" Feb.	58,330	3,612	1,416	38,894	10,991	338
" Mar.	31,035	3,411	1,622	44,919	14,371	461
" Apr.	14,552	3,067	1,470	42,694	10,244	612
" MAY	27,083	3,737	1,878	68,893	14,267	469

More corn went to market than previous month, or year ago.

Hogs marketing showing normal increase for time of year. Normally, will show still further increase during June.

More cattle sent to market than any month since last fall.

Big jump in butter receipts

Wheat exports rather heavy; cotton lighter. Cotton consumption increased somewhat in the United States during May.

FROM MINNESOTA comes a bulletin entitled "Planning the Farm Business", by Wm. L. Cavert. It is written in story form and is very readable. This will interest many farm management men in other States.

MR. F. L. MOFFITT IN PENNSYLVANIA says it cost 62 cents a bushel to produce potatoes (average of 619 acres on 99 farms) in that State last year. The data for this and another cost investigation on pigs to weaning age have recently been put out in mimeographed form.

THE COST OF PRODUCING WHEAT IN EASTERN OREGON is the subject of a three year study by this Bureau in cooperation with Oregon Agricultural College. The results of the first year's study were issued last month. The total net cost of production per bushel (average of 69 farms or 24,648 acres) was \$1.58.

Of the total operating expense (\$1.15 per bushel), which includes everything except interest charges, labor constituted 32.7%; materials 16.6%, other costs 50.7%. These figures are for the crop year 1920, the average yield per acre being 20.9 bushels.

THE FARM MANAGEMENT EXTENSION SCHOOL has been coming to the front as one effective means of projecting work of this kind. Mr. H. M. Dixon, of the Washington Office has gone into the experience of State specialists in holding such schools, in considerable detail. A report is now available setting forth this experience with a great deal of valuable comment and suggestion. This will interest many extension men.

SOME LATE REFERENCE BOOKS on economic subjects are named below. These have been listed by Miss M. G. Lacy, Librarian of this Bureau. Lists of articles in periodicals can also be obtained from Miss Lacy:

Boyle, J. E.
Agricultural economics. Philadelphia, J. B. Lippincott Co. 1921.

Carver, Thomas N.
Principles of national economy. Boston, Ginn & Co., 1921.

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Ely, Richard T. & others.
Outlines of economics. (3rd rev. ed) N.Y. MacMillan Co., 1920.

Fetter, Frank A.
Economics. N. Y., The Century Co., 1920-21.

Harding, W. P. G.,
Federal reserve system as related to American business. Philadelphia.
Federal reserve bank of Philadelphia, 1921.

Hibbard, B. H.
Marketing agricultural products. N. Y., D. Appleton & Co., 1921.

Lippincott, Isaac.
Economic development of the United States. N. Y., D. Appleton
& Co., 1921.

Macklin, Theodore.
Efficient marketing for agriculture. N. Y., MacMillan Co., 1921.

Marshall, Alfred.
Elements of economics of industry. 3rd ed. London, MacMillan & Co.,
limited, 1920.

Marshall, Leon C. & Lyon, L. S.
Our economic organization. N. Y., The MacMillan Co., 1921.

National Bureau of Economic Research,
Income in the United States: its amount and distribution, 1909
1919. By Wesley C. Mitchell and others. N. Y., Harcourt, Brace
& Co., 1921.

Powell, G. H.
Cooperation in agriculture, N. Y., MacMillan & Co., 1919.

Taussig, F. W. - Principles of economics - 3rd ed., MacMillan, 1921.

Taylor, H. C. - Agricultural economics, MacMillan & Co., 1921.

U. S. Fed. Trade Commission Reports.

NOTES FROM THE WEST

The basic fact which most easterners take little account of is the significance of water in the western scheme of things. One unused to it has to stretch his understanding around the vital truth that it doesn't rain much during the summer over almost half of these United States. We hear about the "arid" and "semi-arid" States. One does not have to travel for many weeks over the plains and desert and barren mountains before it begins to dawn on him that these terms have more than an abstract meaning for several million people.

We read of the tremendous production of certain irrigated areas, accepting it as a matter of course. Greeley, Fresno, Los Angeles, Wenatchee, Yakima - these are all familiar names, celebrated for farm products. When one grasps some idea of the endless miles of ditches, of the enterprise and pluck that made these areas and keeps them going, your hat comes off to these men. It did not come as a matter of course to them.

This irrigation business also has its difficulties occasionally. Everything hinges, to begin with, on the water supply. Also on the supply at critical times during the growing season. This year Colorado is worrying over the shortage of water. Old-timers tell me it looks like the scantiest supply in twenty years. Which means a bad start for certain crops, poor yields, and possible lean times.

A most impressive present factor in much of the West - a factor that dominates the agricultural situation - is high land values. Some western men admit the seriousness of this. Some insist vehemently that land values are not inflated.

No intelligent person can talk with conservative farmers, however, without feeling sure that the problem of meeting the overhead expenses where farms have been bought during the last six years (that is, at the high prices) is an exceedingly strenuous one at the present price level of farm products.

Land is valued quite commonly from \$75 to \$200 an acre in many dry land areas, and from \$300 to \$1000 an acre or higher in many of the intensively irrigated areas. But the only farms changing hands now are those going back to mortgage holders.

In Southern California they think nothing of asking from \$2,600 to \$10,000 an acre for orange land. Much of this land has justified its prices in good crop years by its earnings. But much of the demand for these farms is from retired Easterners who want a home and an orange grove, and who do not go broke if they get a freeze or a lean year.

The orange groves show a plenty of dead wood this year. The freeze of last January hit many growers a very serious wallop. Such a freeze, however, is "unusual."

A Native Son tells me that the first three words a California baby learns are "mamma", "papa", and "unusual"!

Be that as it may, your hat comes to the California farmer. He has literally made his land from the barren dessert. He grows his crops in spite of all handicaps, and lays them down in markets 3000 miles distant, asking no odds of anyone.

Land is the great and universal asset of the West. It is the basis of business, the repository of investments, the medium for speculation, the universal collateral.

The instinct of the Westerner is to make his living from the land, to invest his surplus money in land, to make his ultimate lucky "strike" in some rise of land values. The present viewpoint is perhaps comparable to that of the Mississippi Valley country twenty years ago. One result of the speculation is to keep land prices treading closely - very, very closely - on the heels of potential earning power.

There is, of course, a basis for the speculation and present high prices of land. On all sides you see the reasons, in person. Every community can - and does - point you to so-and-so who came into the country a few years ago without a cent, and now look at him! Fine ranch, big car, money at interest! Stories of this kind are everywhere. They justify the famous advice of thirty years ago "Go West, young man, and grow up with the country." And the country is still growing.

To speak of the "bigness" of the West is trite. That is, nevertheless, the most salient adjective. Everything about the country is big, including the plains, the mountains, the farms, the machinery, the families, the automobiles. This bigness is not the least of the things that get into your blood and convert you into an apostle.

The Pacific Coast is in the development stage. Very much so, in fact. Roads, water systems, electric power - all are being pushed to the limit. Incidentally, of course, these things mean enormous bond issues, enormous expenditure.

One result of this tremendous development program is high taxes. As the Coast States are predominantly rural, this means high taxes for farmers. This tax burden is becoming a large factor in the farm business of the entire region. You hear the echoes of high taxes wherever farmers discuss their affairs.

To see the vineyards being set out in California, one would think North America had adopted raisins as the staff of life. Grapes at \$120 a ton have boomed the industry with a loud and lusty boom! To an easterner it looks as though in the future we should have to take our raisins regularly at least three times a day, if we keep up with production.

Generally speaking, the fruit industry of the Coast - where it has escaped the frosts - appears to be fully as flourishing as most of the farm enterprises. Perhaps a little more so than the rest.

Poultry is a thriving enterprise at present, in spite of the tremendous distance to big markets.

Dairying appears to be taking some of the post-war slump. One is impressed that dairy cows are at their best where human beings are most numerous.

Cattle and sheep men are recovering from depression. Their hopes are reviving with prices.

Grain farmers have been obliged to trim their wartime sails the last two years. Wheat looks like a smaller crop than last year in Eastern Washington and Oregon; but growers are using every possible economy, and are slowly pulling out of the hole. Bankers say a fair crop of wheat at a dollar or better this fall will put most men on their feet throughout that territory. That, however, does not apply to many men who bought land at the high prices of four or five years ago.

It appears that the slow pressure of economic factors: high-priced land, heavy taxes and overhead charges, lower prices for farm products, expensive transportation, gradually decreasing crop yields, and so on, is likely to bring about some changes in farm management through many parts of the West within this generation.

The day of a quick "strike" in wheat or cattle or some single enterprise is waning. Men are beginning to think about systems for permanence. You hear talk of diversity, of crop rotation, of live stock for fertility. You see evidence of these things.

In short, the West, as it fills up with population, is giving sober thought to a conservative, in place of an exploitive, agriculture.
